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SUBJECT: U.S.-EU INFORMATION SOCIETY DIALOGUE REINFORCES ICT
COOPERATION

REF: USEU BRUSSELS 3391

1. (SBU) SUMMARY. U.S. and EU public and private officials held warm talks December 3-4 on information and communication technology developments and policy cooperation. At this year's Information Society Dialogue on December 4, the U.S. and EU discussed broadband growth, political debates over the new Commission telecom reform package, mobile television policy controversies, spectrum policy, and VoIP. The group committed to specific U.S.-EU ICT cooperation, including: a roadmap for deeper RFID collaboration in 2008 under the Transatlantic Economic Framework; joint efforts to prevent third-country standards development from presenting barriers to our firms; looking at ways to cooperate further on e-Health, e-Accessibility and ICT research; and seeking to coordinate telecom assistance to developing countries. At the December 3 public-private Digital Economy Workshop (DEW), many telecom incumbent firms opposed Commission plans for functional separation and a new telecom market authority. Firms favored EU plans to rationalize EU spectrum allocation to boost investment, and said meeting privacy concerns and limiting regulation will be critical to the success of next generation internet services. END SUMMARY.

ISD OPENS WITH REVIEW OF MARKET DEVELOPMENTS

2. (SBU) A U.S. interagency delegation and a European Commission group led by the Information Society Directorate (DG INFSO) met December 4 in Brussels for the U.S.-EU Information Society Dialogue (ISD), an almost-annual exchange on trans-Atlantic information and communication technology (ICT) market and policy developments. This year's U.S. delegation was led by Ambassador David Gross from State's Economic and Energy Bureau (EEB/CIP) and Helen Domenici, International Bureau Chief for FCC. The Commission delegation was headed by Fabio Colasanti, Director General of DG INFSO, and several Unit Heads in DG INFSO (see para 25 for other ISD participants).

3. (SBU) The ISD opened with warm welcomes by DG Colasanti and Ambassador Gross, who stressed the utility and collegiality of the ISD over the past few years. They noted that this will be their penultimate meeting as both will depart their posts in early 2009, with the changeovers of the U.S. administration and the expiry of Colasanti's term of office.

4. (SBU) Lucy Sioli, of DG INFSO, offered a snapshot of EU ICT

developments, noting broadband coverage now reaches 18.2 percent of the EU population (90 million lines), with a range of 7-37 percent penetration across the 27 member states. She said Commission ICT strategies are a key part of the broader EU Lisbon Strategy for jobs and growth, since ICT generates half of European productivity growth. She added that rising EU-wide competition has sped broadband growth, cut incumbent market shares to 46 percent, and reined in prices. She noted, however, that average EU broadband speeds are slow compared to Asia and the U.S.

15. (SBU) Helen Domenici of FCC reviewed how cable and DSL provider competition has driven U.S. broadband growth. She said that in 2006, there were 172 million users online in the U.S., with 82.5 million high-speed lines. Now, she said, 99 percent of the U.S. population lives in areas served by broadband. She emphasized FCC's role in taking deregulatory steps to promote ICT development. Ambassador Gross added that industry estimates there are 250 million U.S. mobile subscribers as of late 2007.

COMMISSION DISCUSSES TELECOMS REFORM PACKAGE

16. (SBU) Peter Scott of DG INFSO's policy office outlined Commission goals for the major telecom reform package proposed on November 13 (reftel). He said this has four aims, to: 1) enhance the rights of EU consumers, 2) boost the powers of national ICT regulators, 3) promote the wireless economy, and 4) strengthen the EU internal market. He said specific goals include plans to increase network security and data privacy; proposals to ensure independence of national regulators and back their use of functional separation of telecom network and service providers as a last resort to promote competition; streamlining of EU spectrum management; and establishment of a new EU telecom market authority, an advisory body to the Commission. Colasanti stressed that the media has

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over-dramatized the Commission's unbundling proposal. Under current EU law, regulators are already free to pursue unbundling to promote competition. (Note: only the UK has done so to date. End note.) The new proposal makes this an explicit option for regulators, and establishes a Commission review process for this, in part to provide political cover to member states that wish to encourage national parliaments to adopt legislation allowing it (he cited Italy as an example).

17. (SBU) Scott acknowledged political controversy over several proposals (reftel), but outlined Commission plans to seek EU parliamentary and Council approval of the package by early 2009. He said this would then take 12-18 months to transpose into national legislation across EU member states, meaning it could take effect by late 2010 at the earliest. DG Colasanti stressed that if there is no political agreement on the package by March, 2009, in advance of mid-2009 EU parliamentary elections, this would mean a "serious problem" and the package's likely delay until taken up by a new Commission in 2010.

18. (SBU) Scott reviewed the Commission's November 13 Recommendation on Relevant Markets, which immediately decreases from 18 to 7 the number of telecom markets national regulators should review. This reduction of relevant markets recognizes healthy competition in those that have been taken off the list. Colasanti said the telecom authority could be established once there is EU political agreement on the package, speculating it could be running by 2011. He admitted that the Commission expects the authority would assume all the functions of an EU-wide regulatory authority over 15-20 years.

CONTROVERSY OVER MOBILE TV STANDARDS

19. (SBU) Beatrice Covassi of DG INFSO said that promotion of mobile broadcasting throughout the EU is high on InfoSociety Commissioner Reding's agenda. Covassi said that to advance this goal DG INFSO is working on three fronts: 1) technical - the DG completed an impact assessment identifying the DVB-H standard as the "best candidate" for EU terrestrial mobile broadcasting; 2) regulatory - the

Commission is looking at best practices, and is adding DVB-H to the list of official EU standards (meaning strong encouragement to member states to use this standard); and 3) spectrum - DG INFSO is encouraging member states to make spectrum available for mobile broadcasting, as part of the larger spectrum harmonization effort.

¶10. (SBU) When questioned, Covassi defended Commissioner Reding's push to back the DVB-H standard. (Note: Intel and some other U.S. firms are working with this technology, while Qualcomm supports MediaFlo, a rival standard. End note). Covassi acknowledged that Reding's push contradicts the Commission's stated support for technology neutrality, but said that 19 member states have already experimented with DVB-H, with eight more planning efforts next year - therefore claiming this is already a de-facto standard. She explained that the Commission hopes industry will move to adopt DVB-H more formally, but said that if the Commission decides there "is not sufficient encouragement," it could act to make DVB-H the mandatory standard for mobile broadcasting.

¶11. (SBU) Covassi asserted that conclusions from the November 29-30 EU Member State Transport, Communications and Energy Council give the Commission latitude to continue with its plans for DVB-H. (Comment. The Council conclusions actually just "take note" of rather than support the Commission plan to push DVB-H, and we have heard that most member states opposed Commission mandating of the standard. We also understand that many in DG INFSO, even including DG Colasanti, oppose any mandating of the standard, but it is a personal goal of Commissioner Reding. Industry is strongly opposed to mandating a standard. Commissioner Reding will clearly face difficulty in pushing for formal action next year if she seeks to mandate DVB-H. End comment.)

¶12. (SBU) Domenici of FCC explained how industry leads standards development in the U.S., and said no mobile standard has been agreed upon as of yet. Spectrum allocation for this will be market-driven, she noted. Ambassador Gross added that there will be many platforms and systems for mobile broadcasting in the U.S. for some time. This

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"will be a mess for awhile," he said, but noted that competition provides consumers with more and better options.

COMMITMENT TO DEEPER RFID COOPERATION

¶13. (SBU) Gerald Santucci, who leads DG INFSO efforts on Radio Frequency Identification Technologies (RFID), updated the group on the U.S.-EU RFID dialogue over the last two years. Santucci described how the identification of RFIDs as a priority area for cooperation as part of a U.S.-EU innovation "lighthouse" project under the Transatlantic Economic Framework (established at the 2007 U.S.-EU Summit) offers new opportunities for progress. He highlighted potential pilot projects that DG INFSO and the U.S. RFID interagency working group are considering for work in 2008. Projects could focus on privacy, security, postal services, pharmaceutical or consumer product traceability, healthcare, or other areas. (Note: DG INFSO and the U.S. interagency seek to identify specific projects in these areas by early 2008. End note).

¶14. (SBU) Santucci walked through the Commission's RFID "roadmap" for 2008, which features: a public-private workshop in February, a Zurich conference on the "Internet of Things" (involving linking RFID-tagged objects to the internet) in March; a Commission Recommendation on RFID privacy and security (likely in May); a RFID discussion at the Seoul OECD ministerial in June; a possible RFID conference in the second half of 2008 under the French EU Presidency; and an EU Communication in late 2008 on the Internet of Things. He said the public-private RFID expert group currently advising the Commission will meet throughout the year. (Note: this advisory group contains no U.S. companies, despite several association requests that U.S. firms be included. End note).

OTHER REGULATORY AND POLICY ISSUES

¶15. (SBU) Much of the remainder of the day was taken up by presentations on other regulatory and policy issues. Paul Timmers of DG INFSO described Commission efforts to expand e-Accessibility across the EU, particularly for the elderly and disabled. He noted the Commission is preparing a legislative approach to the issue. Ambassador Gross responded that the U.S. seeks to build on existing U.S. legislation requiring e-accessibility.

¶16. (SBU) Stephen Banable of DG INFSO outlined EU experience with the new Regulation cutting EU mobile roaming fees. He said the Regulation was motivated by a DG Competition (DG COMP) study showing the "glaring disconnect" between roaming prices and costs across the EU, including a 70 percent profit margin for providers. He reviewed the year-long process to prepare the Regulation, and said that since it took effect September 30, consumers have seen a 60 percent drop in roaming fees. Ambassador Gross noted that, in contrast to the EU, intense market competition and natural market evolution moved U.S. providers toward a single national roaming rate.

¶17. (SBU) Ruprecht Niepold of DG INFSO described Commission plans to streamline spectrum management across the EU, including plans to standardize use of spectrum freed by the EU switchover from analog to digital broadcasting (the so-called "digital dividend.") He reviewed package proposals to promote coordinated decisions on spectrum across member states, and outlined harmonization measures already in place for key uses and frequencies, but said quicker, more efficient policies are needed. Domenici of FCC and Fiona Alexander of NTIA described the joint FCC-NTIA spectrum management arrangement in the U.S., and previewed the 700 MHz auction next year for spectrum that will be released by the analog-to-digital broadcasting switchover in the U.S.

¶18. (SBU) Alexander also updated the EU officials on NTIA's work to increase the responsibility of the private Internet Corporation for Assigned Names and Numbers (ICANN) over management of the internet domain naming system (DNS). She said that an 18-month review of NTIA's 2006 agreement on this with ICANN is upcoming, and welcomed EU input during the November-February public comment period. (Note: the NTIA-ICANN relationship remains controversial in Europe with many EU officials having argued for an "internationalization" of DNS management during the 2005 World Summit for the Information Society.

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End note).

¶19. (SBU) Alexander reviewed U.S. plans to complete the switchover from analog to digital broadcasting, for which Congress set a date of February 2009. She described the \$990 million program, administered by NTIA, allowing consumers without cable or satellite to receive digital-analog converter boxes, so they can continue to receive TV reception after the switchover. She noted that it is unclear how many consumers will participate in the program since a high percentage of Americans get TV via cable and therefore would not need a converter box.

¶20. (SBU) Andreas Rover of DG INFSO responded with Commission plans for the EU switchover. He explained that four member states are in the process of switching, six more will do so by 2010, 12 more by 2012, and the last few by 2015. He said that currently 19 member states have some digital services available, noting that strong consumer outreach by industry had made this change easier than expected.

¶21. (SBU) The group then discussed Voice Over Internet Protocol (VoIP). Alain Van Gaever of DG INFSO said the Commission's goal is to pursue a regulatory "light touch" over VoIP, concentrating on emergency services, consumer rights and provider obligations. Domenici responded that the FCC has determined that no economic regulation of VoIP is necessary, but has imposed social obligations on providers. These include ensuring emergency services access, availability for wiretaps, compliance with privacy requirements, contribution to universal service funds, and others.

AREAS FOR FURTHER COOPERATION

¶22. (SBU) The group discussed the potential for greater U.S.-EU cooperation on e-Health and ICT research. Ilias Iakovidis of DG INFSO noted EU research on developing online disease simulators and "virtual humans," describing a joint project with the U.S. National Institutes of Health (NIH) and Stanford University. He said the U.S. and EU have e-Health action plans, with a goal of mutual recognition of certification of e-Health records. He expects major progress in this area in 2008. He noted, and Ambassador Gross agreed, that a potential obstacle to this is the lack in the U.S. (unlike in the EU) of financial support for small medical providers to switch from paper to electronic patient records.

¶23. (SBU) Khalil Rouhana of DG INFSO then reviewed Commission ICT R&D programs, noting that the Commission will spend 9.1 billion euros on such efforts over the next seven years. Projects are typically about nine million euros each, he added, involving 10-15 partners. He explained that around half of one percent of projects from 2004-07 have included U.S. participation. He said the Commission hopes to deepen cooperation with the U.S. on R&D projects, via agreeing on joint areas of interest and pursuing separate research calls. Tom Smitham, Head of Environment, Energy, Science and Technology at the U.S. Mission, stressed that a "bottom up" approach, directly between research agencies, has worked best. He noted the possibility for discussing ICT research at the next U.S.-EU Science and Technology Agreement meeting in February 2008.

¶24. (SBU) The discussion ended with an extended exchange of shared frustrations about imposed standards in third countries and a pledge to work more closely to eliminate those barriers. Ambassador Gross and DG Colasanti comparing their 2008 agendas at upcoming meetings including the APEC TelMin in Bangkok in April, the OECD meeting in Korea in June, WTSA, the Internet Governance Forum, the EU-Africa Summit, and other multilateral telecom fora. They also compared how we can work better together to coordinate telecom assistance in developing countries, agreeing there are good possibilities with the Palestinian Authority and Africa.

¶25. (U) In addition to the U.S. and EU delegation leaders, other U.S. ISD participants included: Fiona Alexander, Senior Policy Advisor in Commerce's National Telecommunications and Information Administration (NTIA); Ken Shagrin from USTR; Carl Willner, Attorney for Telecommunications and Media at the Department of Justice; Whit Witteman, Director for Europe, East Asia and Pacific in State EEB's Telecoms office; Tracey Weisler, FCC Advisor for Europe; EMin;

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EconOff (notetaker); and two locally engaged USEU staff. Commission participants included Ruprecht Niepold, Head of Unit for Radio Spectrum Policy, DG INFSO; Peter Scott, Head of Unit for Policy Development, DG INFSO; Gerald Santucci, Head of Unit for Networked Enterprise and RFID, DG INFSO; Jean-Francois Soupizet, Head of Unit for International Relations, DG INFSO; Maria Carbone, Deputy Head of Unit for International Relations, DG INFSO; Anne Marie Vesdrevanis, International Relations, DG INFSO; Beatrice Covassi, Team Leader for Digital TV and Radio, DG INFSO; Tomas Adadia-Vicente, Policy Officer for the Commission's International Relations Directorate; Anna Snow, Senior Trade Advisor at the Commission Delegation to the U.S.; and other Commission officials.

DIGITAL ECONOMY WORKSHOP (DEW) HIGHLIGHTS PRIVATE SECTOR DEVELOPMENTS, TELECOM PACKAGE

¶26. (U) The European American Business Council (EABC) sponsored its Seventh Annual Digital Economy Workshop (DEW) December 3, immediately preceding the ISD. The DEW brought the Commission and U.S. participants from the ISD together with industry to discuss key ICT developments. Firms attending included British Telecom, Cisco, Dell, Deutsche Telekom, Ericsson, Intel, Microsoft, Motorola, Nokia, Nortel, NXP Semiconductors, Oracle, SAP, Telecom Italia, Telefonica and Verizon.

¶27. (U) The DEW featured four panel discussions, on: 1) broadband deployment; 2) U.S. and EU spectrum policy; 3) IP enhanced services

(VOIP, etc.); and 4) next generation Internet/Web 2.0. The discussions produced lively exchanges, with big telecom incumbents (except for British Telecom) opposing Commission plans for functional separation and a new telecom market authority. Many firms stressed the importance of rationalizing spectrum allocation across the EU to boosting future ICT investment in the EU. Firms agreed that meeting privacy concerns and limiting regulation will be critical to the success of next generation internet services. The dialogue between the public and private sectors at the DEW set a positive tone ensuring that the topics of importance to industry were dealt with during the ISD talks the following day.

MURRAY